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FR-4915-01-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[STB Finance Docket No. 34614]¹

Permian Basin Railways, Inc.—Acquisition of Control Exemption—Arizona Eastern Railway Company, Inc.

Permian Basin Railways, Inc. (Permian),² a noncarrier and short line railroad holding company, has filed a verified notice of exemption to acquire control through purchase of 100% of the outstanding stock of Arizona Eastern Railway Company, Inc. (AERC),³ a Class III short line railroad.

The transaction was scheduled to be consummated on or about December 1, 2004.

Permian states that: (i) the railroads do not connect; (ii) the transaction is not part of a series of anticipated transactions that would connect these railroads with each other or any railroad in their corporate family; and (iii) the transaction does not involve a Class I carrier.

¹ Simultaneously with this filing, in STB Finance Docket No. 34613, Permian filed a verified notice of exemption to acquire control of West Texas and Lubbock Railroad Company, Inc., a Class III short line railroad.

² Permian owns the stock of two Class III short line railroads, West Texas and Lubbock Railway Company, Inc. and the Austin & Northwestern Railway Company, Inc., d/b/a Texas New Mexican Railroad.

³ AERC is currently owned by Kyle Railways, Inc., a wholly-owned subsidiary of RailAmerica Transportation Corp., a short line railroad holding company.

Therefore, the transaction is exempt from the prior approval requirements of 49 U.S.C. 11323.

See 49 CFR 1180.2(d)(2).

Under 49 U.S.C. 10502(g), the Board may not use its exemption authority to relieve a rail carrier of its statutory obligation to protect the interests of its employees. Section 11326(c), however, does not provide for labor protection for transactions under sections 11324 and 11325 that involve only Class III rail carriers. Accordingly, the Board may not impose labor protective conditions here, because all of the carriers involved are Class III rail carriers.

If the notice contains false or misleading information, the exemption is void ab initio. Petitions to revoke the exemption under 49 U.S.C. 10502(d) may be filed at any time. The filing of a petition to revoke will not stay the transaction.

An original and 10 copies of all pleadings, referring to STB Finance Docket No. 34614, must be filed with the Surface Transportation Board, 1925 K Street, N.W., Washington, DC 20423-0001. In addition, a copy of each pleading must be served on: John D. Heffner, 1920 N Street, N.W., Suite 800, Washington, DC 20036.

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Decided: December 13, 2004.

By the Board, David M. Konschnik, Director, Office of Proceedings.

Vernon A. Williams

Secretary